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Business

Glencore and Xstrata 'The worm has turned. Mick Davis may have missed the boat' **JEREMY WARNER** GIVES HIS VERDICT ON THE LATEST MINING MEGA MERGER **B4-5**

Stalemate in talks on Greek austerity measures

Disagreement over tougher cuts threatening the 'entire eurozone'

By Louise Armitstead

GREEK politicians refused to yield to the austerity demands of their "troika" paymasters despite a stark warning from German chancellor Angela Merkel that the stand-off threatened the "entire eurozone".

The three main political parties in Greece's national unity government were reportedly given until 11am to respond to international demands on tougher spending cuts. But the deadline passed with no response – except for politicians claiming there was no deadline.

Sources in Athens said the talks between Greece and its creditor banks were on hold while Lucas Papademos, the Greek prime minister, vacillated between negotiations with his own politicians and the "troika" officials from the European Union (EU), the International Monetary Fund (IMF) and the European Central Bank (ECB).

In less than six weeks Greece must repay a €14.5bn (£12bn) bond. It will be unable to meet this without the release of a €130bn international bail-out programme – which will only come when austerity measures are agreed.

At a press conference with French President Nicolas Sarkozy yesterday, Mrs Merkel said: "There can be no new Greece programme if agreement is not reached with the troika... All those who bear responsibility in Greece must know – we will not deviate from this position."

She added: "I honestly can't understand how additional days will help. Time is of the essence. A lot is at stake for the entire eurozone."

Mr Sarkozy said: "The Greek leaders have made commitments and they must respect them scrupulously. Europe is a place where everyone has their rights and duties. Time is running out, it needs to be concluded, it needs to be signed."

George Karatzaferis, leader of Greek far-right party LAOS, said: "I will not contribute to the explosion of a revolution from destitution that will burn all of Europe." Greece's trade unions announced a snap 24-hour general strike today in protest against the new austerity measures.

Romania offered a reminder of the dangers of the protests when Emil Boc, prime minister, resigned after weeks of public protests over austerity measures.

Greek officials said politicians in Athens had agreed to €3bn cuts in health care, defence and local government over the next two years. They have also accepted a 20pc cut in the minimum wage and 15,000 public sector job losses. But there is still disagreement over another €1.2bn of cuts.

The Eurogroup, which comprises eurozone finance ministers, is poised to meet to discuss a deal over the austerity measures, once they are decided. Greece must also agree a €200bn debt restructuring – thought to be the biggest ever voluntary deal – with its private creditor banks.

Meanwhile, new data showed Greek debt spiked to 159pc of GDP in the third quarter of 2011 compared with 138.8pc a year earlier and 154.7pc in the second quarter.

Markets were rattled by the deadlock. The Eurostoxx 600 closed down 0.2pc, France's CAC closed down 0.7pc and the FTSE slid 0.2pc. David Jones, chief market strategist at IG Index, said: "With a relatively quiet news week until the EU and UK interest rate announcements on Thursday, progress or otherwise in Greece is likely to dictate market direction."

REUTERS

Nicolas Sarkozy welcomes Angela Merkel at Paris's Elysee Palace prior to a meeting yesterday

Glencore and Xstrata to form seventh-biggest FTSE company

By Helia Ebrahimi

MINER Xstrata and trading house Glencore will today unveil details for their $90bn (£56.9bn) merger, which will see the new copper-to-commodities trading titan catapulted to seventh place in the UK's FTSE 100.

Glencore, which owns 34pc of Xstrata, is expected to offer just shy of 2.8 shares for each Xstrata share – implying an 18pc to 20pc premium to Xstrata's share price before rumours of the deal emerged.

That premium – described by analysts as "skinny" – represents almost a 30pc premium to the average price 30-day share price of the two companies.

However, Xstrata shareholders, who were made insiders on Monday, still complained the proposal represented a better deal for Glencore, whose 12 top executives own 31pc of the company.

Mick Davis, who is expected to become chief executive of the enlarged group, will net a £11m pay day from the deal. His opposite number at Glencore, Ivan Glasenberg, is set to become deputy chief executive of the new company. Mr Glasenberg holds a $9.6bn stake in Glencore.

Analysts at Credit Suisse estimate the synergies of the combined company could be around $468m, roughly 5pc of combined 2012 net income, thanks to Glencore trading more of Xstrata's mining assets.

The new company is also likely to point to cheaper interest bills on its $16.9bn of net debt, with ratings agencies saying they viewed the tie-up – which simplified the structure – as positive for credit ratings.

However, as well as shareholders, the two companies will have to persuade competition authorities – especially in Europe – to allow the deal to go ahead.

Tom Gidley-Kitchin, an analyst at Charles Stanley, said regulators would be very "tough on this deal" given the concerns about anti-competitive behaviour being derived from high market shares.

Respected Xstrata chairman Sir John Bond, who will continue in that role in the enlarged company, will go some way to assuaging corporate governance concerns that have dogged Glencore since its inception under founder Marc Rich, who broke US sanctions by selling Iranian oil to Israel.

Yesterday Xstrata slipped 1.7pc, while Glencore lost 4.5pc.

Over the past month Glencore shares have jumped 24pc and Xstrata's have surged more than 30pc on hopes of a merger.

INSIDE

Analysis plus Q&A B4-5

ONLINE

Log on today for the latest news and City reaction to the deal

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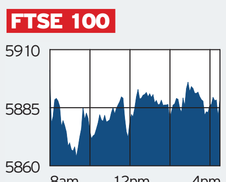
60 SECOND BRIEFING

MARKETS

FTSE 100



5892.20
-8.87 -0.15pc

2011/12 High	6091.33	
2011/12 Low	4944.44	
Yield	3.33pc	+0.01
P/E ratio	10.52	-0.03

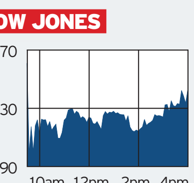
The FTSE dipped slightly after profit-taking. Worries continued over the progress of a deal on Greek debt.

MARKET REPORT B9 »

BIGGEST RISER
CAIRN ENERGY
344.9p
+17.95 (5pc)

BIGGEST FALLER
GLENCORE INTL
460 ¾p
-21.8p (5pc)

DOW JONES



12845.13
-17.10 -0.13pc

American stocks retreated, down from an almost four-year high, as jitters over Greece continued to plague the markets.

OTHER MARKETS

FTSE 250	11237.74	+2.59
FTSE All-share	3043.62	-3.80
Yield	3.25	+0.01
FTSE Eurotop 100	2243.29	-2.08
Nikkei	8929.20	+97.27
DJ Eurostox50	2507.89	-7.26
S&P 500	1344.33	-0.57
Nasdaq	2901.99	-3.67

CURRENCIES

	£ €	£ $
RATE	1.2077	1.5795
CHANGE	+0.36	-0.04c

FULL LISTING B5 »

COMMODITIES

GOLD
$1720 (£1090)
-17.00 -0.98pc

BRENT CRUDE
$115.93 March
+1.35 +1.17pc

Coalition is not anti-business, Cameron tells industry leaders

By Louise Armitstead

THE Prime Minister has tried to reassure company bosses that there is no "anti-business agenda" ahead of a parliamentary debate in which MPs are expected to demand another tax on bonuses.

David Cameron yesterday met his business advisory group which comprises bosses of some of Britain's biggest employers, including Burberry, J Sainsbury, Centrica and WPP, and told them that the Coalition is not attacking businesses.

Insiders said the meeting – which came on the same day as the major Tory fund raiser, the Black and White ball – was "constructive".

City bosses have warned that business confidence has been rattled by the Government's move to strip Fred Goodwin of his knighthood and failure to support RBS's Stephen Hester over his bonus.

Critics of the Conservatives' recent action include Sir Martin Sorrell of WPP, Lord Wolfson, chief executive of Next, and even Michael Spencer, boss of Icap and one of the Tory party's biggest donors.

Today Chuka Umunna, the shadow business secretary, is due to lead a debate in which he will call for the Government to impose another bonus tax on top of the bank levy and to consider banning bonuses at state-owned banks except in cases of "genuine exceptional performance".

Mr Umunna is expected to go beyond "bank bashing" and call for an overhaul of corporate pay across the board.

He is expected to say that the culture of excessive bonuses – from banks to Network Rail – has damaged Britain's society and economy.

His speech is also expected to re-ignite the row over bank lending to small businesses, which Labour claims has fallen despite the so-called Project Merlin agreement between the banks and the Coalition on lending targets.

Comment: B2

The Telegraph

Prime Minister faces backlash over agenda
telegraph.co.uk/finance

BAE may cut price of fighter to secure deal

By Louisa Peacock

BAE Systems is considering lowering the price of its Eurofighter Typhoon to win back an $11bn (£7bn) Indian contract from France's Dassault.

Ian King, BAE's chief executive, said the company was considering a range of options to secure the deal to supply fighter jets, which could prevent a major industrial setback for Britain.

A source close to the company said BAE was consulting with its partners in Germany, Italy and Spain to see what was feasible in the coming days and weeks.

India had previously changed its mind on defence contracts, the source said, adding there was "still some way to go" before any decisions by the country had been made. The insider insisted the contract was still up for grabs, with Dassault's Rafale only having been named as the lowest-priced compliant bidder rather than being awarded the contract.

The Government's drive to kick-start growth and rebalance the economy towards advanced manufacturing was dealt a blow last month when the Indian government named the French manufacturer as its preferred partner for the deal.

Trade union Unite warned that the selection of the Rafale could have "serious implications" for BAE Systems and the UK aerospace industry. It is estimated that 40,000 UK jobs are supported by the project.